

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 AID-20 NEA-10 EB-11 COME-00

TRSE-00 OMB-01 DRC-01 /168 W
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R 130830Z DEC 73

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE 5871

INFO AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

AMEMBASSY BANGKOK

AMEMBASSY MANILA

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 KUALA LUMPUR 5442

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: ECON PINT PFOR MY US

SUBJECT: VALEDICTORY COMMENTS ON MALAYSIA.

1. SUMMARY: MY DEPARTURE FROM POST PROVIDES OPPORTUNITY TO CALL ATTENTION TO THIS SMALL COUNTRY, WHICH HAS EXERCISED REMARKABLY EFFECTIVE MANAGEMENT OF ITS HUMAN AND MATERIAL RESOURCES IN ADVANCEMENT OF ITS POLITICAL, ECONOMIC AND SOCIAL GOALS. IT FORMS AN ANCHOR OF RATIONAL AND PROGRESSIVE LEADERSHIP IN SOUTH-EAST ASIA AND IS A SUPPORTER OF REGIONAL COOPERATION AT A REALISTIC RATE. IT IS A FRIEND AND IMPORTANT SOUTHEAST ASIAN TRADING PARTNER OF THE U.S., A MUTUALLY REWARDING RELATIONSHIP UNLIKELY TO BE MARRED EITHER BY MALAYSIA'S OFFICIAL ADHERENCE TO NON-ALIGNMENT OR ITS RELIGIOUS TIES TO THE ARAB WORLD.
END SUMMARY.

2. THE GOM HAS REGISTERED STEADY PROGRESS ON MOST FRONTS IN THE
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FOUR YEARS I HAVE BEEN HEREGOM THE ALLIANCE GOVERNMENT UNDER PM RAZAK

HAS CONSOLIDATED ITS POLITICAL HOLD TO POINT WHERE IT WILL PROBABLY STEAMROLLER THE REMAINING OPPOSITION IN THE GENERAL ELECTION LIKELY TO BE CALLED WITHIN SIX MONTHS. IMPORTANT POINT IS THAT THE GOVERNMENT COMMANDS SIGNIFICANT POPULAR MULTI-RANBAL SUPPORT. I SEE NO PROSPECT OF SERIOUS THREAT TO THE GOVERNING ALLIANCE IN THE FORESEEABLE FUTURE. PERSISTENT DISSATISFACTION OF LOW AND MIDDLE INCOME CHINESE (AND INDIANS) WITH GOM POLICIES OF FAVORING MALAYS IS NOT LIKELY TO ABATE BUT ALSO IS UNLIKELY TO CAUSE SERIOUS TROUBLE IF GOVERNMENT FOLLOWS THROUGH (AS I BELIEVE IT WILL) ON PROMISES TO DEAL WITH PROBLEMS OF ALL, NOT ONLY MALAY, HAVE-NOTS.

3. THE TWO LOW-PAADE INSURGENCIES ARE ABOUT WHERE THEY WERE WHEN I ARRIVED IN OCTOBER 1969. THEY PROVE NO THREAT TO THE GOVERNMENT AND APPEAR TO EXERT VERY LITTLE INFLUENCE ON THE POPULATION. THE GOM COULD PROBABLY WHITTLE DOWN TERRORIST FORCES BUT ONLY AT GREAT EXPENSE OF MEN AND EQUIPMENT. GOM APPARENTLY FEELS THAT CONTAINMENT AT ROUGHLY PRESENT LEVELS IF THE MOST PRACTICAL APPROACH. THEY PROBABLY ALSO EXPECT THAT MALAYSIA'S GROWING ECONOMIC PROSPERITY WILL ULTIMATELY THROTTLE ANY POPULAR APPEA OF A "LIBERATION MOVEMENT." THEY MAY WELL BE RIGHT IN THIS ASSESSMENT, PARTICULARLY IF LOWER CLASS CHINESE ARE PERMITTED TO SHARE IN THE COUNTRY'S AFFLUENCE. A DEVELOPMENT THAT MAY HAVE A BEARING ON THE MAOIST-ORIENTED INSURGENCIES IS THE IMPENDING ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE PRC. THERE SEEMS LITTLE LIKELIHOOD THAT THE PRC WILL DISAVOW ITS IDEOLOGICAL SUPPORT OF THE LOCAL "LIBERATION MOVEMENTS." THE QUESTION THE MALAYSIANS (AS WELL AS OTHER SOUTHEAST ASIANS) WOULD LIKE TO HAVE CLARIFIED IS WHETHER THE PRC WILL SEEK TO

ENCOURAGE OR RESTRAIN THE CTO'S.

4. THE ECONOMY IS BOOMING AND LOOKS PROMISING FOR THE LONG TERM UNLESS IT IS IMPEDED BY A SERIOUS WORLD RECESSION. A MID-TERM REVIEW OF SECOND MALAYSIA PLAN REVEALS THAT ECONOMY HAS BEEN GROWING IN REAL TERMS, 1971-73, AN AVERAGE OF 6.9 PERCENT. ALL INDICATIONS FOR FUTURE ARE EXTREMELY FAVORABLE. GOM TWENTY-YEAR PROJECTION CALLS FOR ANNUAL AVERAGE GROWTH OF 7.1 PERCENT AND INDUSTRIAL EXPANSION OF 12.3 PERCENT. IF COUNTRY COMES EVEN CLOSE TO THESE GOALS, I SEE NOTHING BUT ROSES
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AHEAD FOR THE MALAY-DOMINATED ALLIANCE GOVERNMENT.

5. U.S. STRATEGIC INTERESTS HERE ARE MARGINAL, EXCEPT FOR OUR STAGE IN FREE TRANSIT OF THE MALACCA STRAIT. RECENT MOST MODERATE STATEMENTS OF THE GOM ON THIS POTENTIALLY TESTY ISSUE TEND TO CONFIRM THAT THEY CONSIDER THE PROBLEM NEGOTIABLE AND DO NOT SEEK A CONFRONTATION WITH THE U.S. OVER IT. IF, AS RECENTLY NOTED BY THEIR HOME AFFAIRS MINISTER, A PRINCIPAL

CONCERN IS POLLUTION, WE SHOULD BE ABLE TO DEVISE A FORMULA THAT WILL PROVIDE THEM WITH MAXIMUM SAFEGUARDS, PREFERABLY WITH THE SEMBLANCE OF NATIONAL CONTROL (IN VIEW OF THEIR CLAIM, TOGETHER WITH INDONESIA, FOR 12-MILE TERRITORIAL WATERS), WHILE ASSURING THE CONTINUANCE OF FREE INTERNATIONAL TRANSIT.

6. I SEE LITTLE POINT IN DWELLING ON THE GOM'S FOREIGN POLICIES WHICH, WITH THE EXCEPTION OF THE MIDDLE EAST, HAVE BEEN GENERALLY CONSONANT WITH OUR OWN. ON THE OTHER HAND, WE MUST EXPECT THAT IN PURSUIT OF NON-ALIGNMENT THEY WILL PERHAPS INCREASINGLY TEND TO ASSOCIATE THEMSELVES WITH THE THIRD WORLD. AT THE SAME TIME THEY WILL SEEK TO MAINTAIN CORDIAL BILATERAL RELATIONS WITH US, AS INDICATED BY THEIR MANAGEMENT RECENTLY OF THE MALACCA STRAIT ISSUE AND THE ARAB/ISRAELI WAR. A POTENTIAL SOURCE OF FRICTION WITH THE GOM IS ITS NEUTRALIZATION PROPOSAL. FOR THE TIME BEING, THIS CONCEPT IS VERY MUCH ON THE BACK BURNER BECAUSE OF THE RESERVATIONS OF THE ASEAN GROUP AS WELL AS THE UNSETTLED SITUATION IN INDOCHINA. I SEE NO BASIC SOURCE OF CONFLICT FOR US IN THIS PROPOSAL, WHICH IS VISIONARY AT THE MOMENT BUT IMPECCABLE AS A LONG-TERM OBJECTIVE, STRESSING AS IT DOES INDIVIDUAL AND COLLECTIVE STRENGTH IN THE REGION, RESISTANCE TO BIG-POWER HEGEMONY, AND A COMMITMENT TO PEACE. INDEED, I FIND THE ULTIMATE OBJECTIVE SO COMPATIBLE WITH OUR OWN GOALS THAT I BELIEVE WE SHOULD SEEK A MORE POSITIVE IDENTIFICATION WITH IT. SUCH AN INITIATIVE WOULD PROVIDE US GREATER OPPORTUNITY THAN WE NOW HAVE TO GUIDE IT, FROM THE SIDELINES, AND WOULD GAIN FOR US POSITIVE RAPPORT WITH THE SOUTHEAST ASIAN COMMUNITY.

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FM AMEMBASSY KUALA LUMPUR
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INFO AMEMBASSY JAKARTA
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CINCPAC

C O N F I D E N T I A L SECTION 2 OF 2 KUALA LUMPUR 5442

CINCPAC FOR POLAD

7. SUPPORT FOR ASEAN'S LONG-RANGE ASPIRATIONS FOR A SOUTHEAST ASIA ERA
OF PEACE WOULD ENHANCE OUR OPPORTUNITIES AS A SUPPORTER OF INTRA-REGIONAL COOPERATION IN OTHER FIELDS. THERE IS NO INCOMPATIBILITY IN THIS POSTURE WITH OUR CONTINUING SUPPORT FOR OUR STANDING MILITARY COMMITMENTS IN THE REGION SO LONG AS THEY MAY BE REQUIRED. MEANWHILE THERE IS DISCERNIBLE, ALBEIT SLOW, POLITICAL AND ECONOMIC PROGRESS IN ASEAN (E.G., CAMBODIAN REPRESENTATION IN UN; MEETINGS WITH JAPANESE ON SYNTHETIC RUBBER), WHICH DESERVES OUR CONTINUING AND EXPLICIT ENCOURAGEMENT NOTWITHSTANDING WHATEVER LIMITS TO REGIONAL COOPERATION MAY BE IMPLICIT IN CONCURRENT SIGNS OF GROWING NATIONALISM IN THE AREA. APROPOS OF RECENT DISCUSSIONS IN TOKYO AND EMBASSY MANILA'S 13736, A CONSTRUCTIVE POSTURE OF THIS TYPE WOULD ENABLE US TO PLAY A MORE ACCEPTABLE ROLE (IF REPEATEDLY ASKED) IN ANY (AS YET UNDISCONCERNIBLE) MOVES THESE COUNTRIES MIGHT WISH TO MAKE TOWARD REGIONAL DEFENSE PLANNING. THE LATTER MIGHT BEGIN AT A
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RELATIVELY EARLY DATE WITH TECHNICAL ASSISTANCE YFC CONCESSIONAL TERMS FOR PURCHASES OF MILITARY HARDWARE LEADING TO STANDARDIZATION OF EQUIPMENT AND THE PREVENTION OF A MINI-ARMS RACE IN THE REGION. EVEN MALAYSIA, PROBABLY THE MEMBER OF ASEAN CURRENTLY LEAST INTERESTED IN REGIONAL DEFENSE PLANNING LEST IT DIVERT FROM THE NEUTRALIZATION GOAL, MIGHT FIND THE FOREGOING SCENARIO ACCEPTABLE.

8. THE MOST PATENT EARLY OPPORTUNITY FOR THE U.S. IN MALAYSIA IS ECONOMIC. AMERICAN INVESTMENT NOW TOTALS ABOUT U.S. \$400 MILLION, WITH EVERY PROSPECT FOR FURTHER SUBSTANTIAL INCREASES DUE TO THE GOM'S HIGH EMPHASIS ON FIREIGN INVESTMENT UNDER THE SECOND MALAYSIA PLAN AND THE 1970-90 PERSPECTIVE. IN A WORLD OF SHRINKING RESOURCES, THIS SMALL BUT RICH COUNTRY HAS MANY ATTRACTIONS FOR INVESTMENT. WE ARE RESPECTABLY REPRESENTED IN THE EFFORT TO FIND OIL AND GAS, AN EFFORT NOW BEGINNING TO PROSPER, BUT WE HAVE NOT YET ENTERED THE COMPETITION FOR THE

EXTENSIVE TIMBER RESOURCES THAT EAST MALAYSIA, PARTICULARLY, HAS TO OFFER. IN ELECTRONICS AND OTHER SECONDARY INDUSTRIES, THE U.S. HAS INCREASED ITS SHARE VERY SUBSTANTIALLY OVER THE PAST THREE YEARS BUT MANY OTHER OPPORTUNITIES REMAIN. I SEE NO BETTER INSURANCE FOR

THE MAINTENANCE OF GOOD RELATIONS BETWEEN OUR TWO COUNTRIES THAN THROUGH SELECTIVE AMERICAN INVESTMENT, WHICH IS UNIQUELY CAPABLE OF MAKING INPUTS OF ADVANCED TECHNOLOGY, MANAGEMENT PROCEDURES, AND MARKETING TECHNIQUES WHICH THE COUNTRY NEEDS AND SEEKS.

9. WHILE WE HAVE AN OVERALL NEGATIVE BALANCE OF TRADE WITH MALAYSIA DUE TO OUR IMPORTS OF RUBBER AND OTHER PRIMARY COMMODITIES, IT IS SIGNIFICANT THAT U.S. EXPORTS INCREASED 42.9 PERCENT IN THE FIRST HALF 1973 OVER THE COMPARABLE PERIOD A YEAR AGO: TOTAL U.S. EXPORTS STOOD AT U.S. \$174 MILLION IN 1972 AND WE EXPECT SIGNIFICANT, IF NOT DRAMATIC, IMPROVEMENT IN THIS AND COMING YEARS.

10. THESE ARE THE HIGHLIGHTS OF OUR RELATIONS WITH MALAYSIA. WE HAVE MAINTAINED A LOW OFFICIAL PROFILE HERE AND I SEE NO REASON TO CHANGE IT, ALTHOUGH THE UNOFFICIAL AMERICAN COMMUNITY
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IS BOUND TO EXPAND IN PROPORTION TO OUR GROWING INVESTMENT AND TRADING INTERESTS. THIS SHOULD POSE NO PROBLEMS SO LONG AS OUR BUSINESS PEOPLE HONOR THE PARTNERSHIP PRINCIPLE AND DO THEIR BIT TOWARDS CONTRIBUTING TO NATIONAL GOALS. OFFICIALLY, WE COULD, AS DISCUSSED IN THE COM MEETING IN TOKYO, IMPROVE OUR RELATIONS WITH SMALLER COUNTRIES BY MAINTAINING A MORE CONSTANT AND CANDID DIALOGUE WITH THEM ON BOTH OUR CURRENT AND PROSPECTIVE ACTIONS IN THE ASIAN REGION.
LYDMAN

NOTE BY OC/T: KLUMPUR 5442/2 - NOT PROC. GARBLED. LM.

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